

# **City of Romulus, Michigan**

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## **Financial Report with Supplemental Information June 30, 2003**

# City of Romulus, Michigan

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**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Romulus, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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A worldwide association of independent accounting firms

To the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Romulus, Michigan's basic financial statements. The accompanying other supplemental information as identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 16, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002.

*Plante & Moran, PLLC*

December 8, 2003

# City of Romulus, Michigan

## Management's Discussion and Analysis

The following discussion and analysis of the City of Romulus, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the City's financial statements.

### Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2003.

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$270,800 this year. This represents a 9.7 percent decrease from the prior year and a decrease of 13.7 percent from 2001.
- Property taxes are the City's single, largest source of revenue. The City's taxable value for fiscal year 2002/2003 was \$936,477,626 (ad valorem), which represents an increase of \$66,587,152 or 7.7 percent.
- Two of the City's three TIFA Districts were closed during this fiscal year, which resulted in a one time operating transfer of \$1,527,174 to the General Fund. In the future, the General Fund will receive approximately \$135,000 of tax revenue previously captured by those districts.
- In April 2003, the State law that regulates the distribution of airport parking fees was amended to provide the City with consistent annual revenue of \$1,500,000. This funding will be in place for approximately 20 years or until debt service for designated State bonds have been paid off. Due to timing based upon the implementing language of these amendments, the General Fund received revenue of only \$578,372 in fiscal year 2002/2003.
- The implementation of the first phase of the City's new financial management system came to a close within this fiscal year including the payroll, general ledger, accounts payable, accounts receivable, job cost work order, utility billing, and business licensing modules. This new system has provided the City with the ability to closely monitor spending, which has eliminated most budget overages.
- During fiscal year 2002/2003, the City of Romulus established a public safety department, offering retirement incentives and reorganizing staff to provide funding for an additional eight full-time firefighters. An in-depth assessment of fire department facilities and equipment was completed and a recommendation made to City Council to construct a new fire station with the utilization of TIFA funds.

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report City operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2003 (in thousands of dollars):

TABLE I

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets	\$ 14,788	\$ 6,402	\$ 21,190
Noncurrent assets	<u>41,774</u>	<u>52,736</u>	<u>94,511</u>
Total assets	56,562	59,139	115,701
<b>Liabilities</b>			
Current liabilities	3,322	3,430	6,752
Long-term liabilities	<u>6,134</u>	<u>30,093</u>	<u>36,227</u>
Total liabilities	<u>9,456</u>	<u>33,523</u>	<u>42,978</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	35,770	21,093	56,863
Restricted	4,229	9,713	13,943
Unrestricted	<u>7,108</u>	<u>1,189</u>	<u>8,297</u>
Total net assets	<u><u>\$ 47,107</u></u>	<u><u>\$ 31,995</u></u>	<u><u>\$ 79,102</u></u>

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

The City of Romulus has combined net assets of \$79 million. Business-type activities comprise \$32 million of the total net assets. In future reports, comparative data will be provided for the statement of activities. Comparative data is not required during the first year of reporting under GASB No. 34; therefore, a comparative statement of activities is not part of the management's discussion and analysis.

The following table shows the changes of the net assets during the current year (in thousands of dollars):

TABLE 2

	Governmental Activities	Business-type Activities	Total
<b>Net Assets - Beginning of year</b>	\$ 47,767	\$ 31,315	\$ 79,082
<b>Revenue</b>			
Program revenue:			
Charges for services	4,320	7,398	11,718
Operating grants and contributions	4,245	-	4,245
Capital grants and contributions	31	8	40
General revenue:			
Property taxes:			
City	8,732	-	8,732
Sanitation	721	-	721
Street lighting	326	-	326
EPA	-	2,193	2,193
State-shared revenue	2,583	-	2,583
Unrestricted investment earnings	408	184	592
Miscellaneous revenue	606	85	692
Total revenue	21,971	9,869	31,839
<b>Program Expenses</b>			
General government	3,665	-	3,665
Public safety	9,250	-	9,250
Public works	8,204	-	8,204
Health and welfare	180	-	180
Community and economic development	388	-	388
Recreation and culture	802	-	802
Interest on long-term debt	142	-	142
Water and sewer	-	9,189	9,189
Total program expenses	22,631	9,189	31,820
<b>Change in Net Assets</b>	(660)	680	20
<b>Net Assets - End of year</b>	<u>\$ 47,107</u>	<u>\$ 31,995</u>	<u>\$ 79,102</u>



# **City of Romulus, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The City's General Fund revenue increased by approximately \$1.3 million, despite large decreases in State-shared revenue, building permits, and interest income. The increase, which represents 7 percent, was primarily due to the one time operating transfer from the TIFA Districts.

General Fund expenses decreased by approximately \$183,000 during the year. Decreases were led by overall cut backs in spending City-wide.

### **Business-type Activities**

The City's business-type activities consist of the Water and Sewer Fund. We provide water to residents from the Detroit Water System. We provide sewage treatment through Wayne County Downriver Sewage Disposal System. In 2003, it was a drier than average year, which resulted in relatively high usage in the water system. Although water and sewer rates had been adjusted in July 2002, there was an operating loss again this year.

### **The City's Funds**

The analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2003 include the General Fund and the Water and Sewer Fund. The Water and Sewer Fund is described above.

The General Fund pays for most of the City's governmental services. The most noteworthy are police and fire, which incurred expenses of approximately \$8.9 million in 2003. Additionally, the building and grounds department is significant in that it contains 13 percent of the total General Fund expenditures.

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. The most significant change was to decrease the charges to the General Fund and other funds from the Property and Liability Self-Insurance Fund, the Retirees Insurance Benefits Fund, and the Computer and Equipment Fund. These reductions were necessary due to the revenue shortfall in State-revenue sharing, building permits, and interest income. These measures held the decrease of General Fund's fund balance to only \$93,274.

### **Capital Asset and Debt Administration**

The City took advantage of the historically low interest rates by refunding bond issues within the DDA and TIFA District #2 Funds. This refunding resulted in gross interest savings of \$694,478.

# **City of Romulus, Michigan**

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## **Management's Discussion and Analysis (Continued)**

The City has several construction projects in various stages of completion. The Huron River Drive paving and water main replacement project is in its final stage of completion. In addition, one mile of Pennsylvania Road was paved through a joint project with Wayne County. TIFA also saw to the completion of the Smith/Vining extension project, and those roads were finally opened to the public this year.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for next year requires \$1.4 million of fund balance in order to provide a balanced budget. Because of reductions in several of the City's major revenue sources, the City needs to continue to watch its budget very closely.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the administration offices at City Hall.

# City of Romulus, Michigan

## Statement of Net Assets (Deficit) June 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 7,559,645	\$ 3,550,315	\$ 11,109,960	\$ 16,328,882
Receivables - Net (Note 4)	4,577,366	2,179,923	6,757,289	28,311
Internal balances	(512,379)	512,379	-	-
Due from other governmental units	2,772,765	106,851	2,879,616	355,628
Inventories	120,910	53,003	173,913	-
Prepaid costs and other assets	269,291	-	269,291	-
Restricted assets (Note 7)	-	6,433,279	6,433,279	-
Capital assets - Net (Note 5):				
Assets not being depreciated	6,109,165	1,458,078	7,567,243	-
Assets being depreciated	35,665,200	51,278,244	86,943,444	-
<b>Total assets</b>	<b>56,561,963</b>	<b>65,572,072</b>	<b>122,134,035</b>	<b>16,712,821</b>
<b>Liabilities</b>				
Accounts payable	1,327,199	1,545,925	2,873,124	170,485
Accrued and other liabilities	510,508	250,506	761,014	11,612
Retainage payable	15,284	-	15,284	-
Customer deposits payable	-	54,562	54,562	-
Claims payable	38,308	-	38,308	-
Due to other governmental units	456,256	-	456,256	9,828,611
Deferred revenue (Note 4)	127,862	-	127,862	343,059
Compensated absences:				
Due within one year	194,122	19,313	213,435	-
Due in more than one year	781,452	63,503	844,955	-
Long-term debt (Notes 1 and 8):				
Due within one year	652,484	1,613,948	2,266,432	910,000
Due in more than one year	5,352,081	30,029,540	35,381,621	10,265,000
<b>Total liabilities</b>	<b>9,455,556</b>	<b>33,577,297</b>	<b>43,032,853</b>	<b>21,528,767</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	35,769,800	21,092,834	56,862,634	-
Restricted:				
Streets and highways	3,158,187	-	3,158,187	-
Sanitation	239,610	-	239,610	-
Other purposes	830,488	9,713,279	10,543,767	-
Unrestricted	7,108,322	1,188,662	8,296,984	(4,815,946)
<b>Total net assets (deficit)</b>	<b>\$ 47,106,407</b>	<b>\$ 31,994,775</b>	<b>\$ 79,101,182</b>	<b>\$ (4,815,946)</b>

# City of Romulus, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
General government	\$ 3,665,405	\$ 1,573,915	\$ 1,808,212	\$ -
Public safety	9,249,983	1,806,363	521,492	31,164
Public works	8,204,332	866,829	1,597,832	-
Health and welfare	180,679	-	-	-
Community and economic development	387,751	-	238,823	-
Recreation and culture	801,858	72,996	78,302	-
Interest on long-term debt	141,765	-	-	-
Total governmental activities	22,631,773	4,320,103	4,244,661	31,164
Business-type activities - Water and sewer	9,188,859	7,397,578	-	8,355
Total primary government	<u>\$ 31,820,632</u>	<u>\$ 11,717,681</u>	<u>\$ 4,244,661</u>	<u>\$ 39,519</u>
Component units:				
Tax Increment Financing Authority	\$ 4,898,308	\$ -	\$ -	\$ -
Downtown Development Authority	577,335	-	-	-
Economic Development Corporation	332	-	-	-
Total component units	<u>\$ 5,475,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes:				
City				
Sanitation				
Street lighting				
EPA				
Component unit				
State-shared revenues				
Unrestricted investment earnings				
Miscellaneous				
Total general revenue				
<b>Change in Net Assets</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2003**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (283,278)	\$ -	\$ (283,278)	\$ -
(6,890,964)	-	(6,890,964)	-
(5,739,671)	-	(5,739,671)	-
(180,679)	-	(180,679)	-
(148,928)	-	(148,928)	-
(650,560)	-	(650,560)	-
(141,765)	-	(141,765)	-
(14,035,845)	-	(14,035,845)	-
-	(1,782,926)	(1,782,926)	-
(14,035,845)	(1,782,926)	(15,818,771)	-
-	-	-	(4,898,308)
-	-	-	(577,335)
-	-	-	(332)
-	-	-	(5,475,975)
8,731,537	-	8,731,537	-
720,835	-	720,835	-
325,888	-	325,888	-
-	2,193,498	2,193,498	-
-	-	-	4,780,099
2,582,522	-	2,582,522	-
407,759	184,019	591,778	189,672
606,095	85,440	691,535	-
13,374,636	2,462,957	15,837,593	4,969,771
(661,209)	680,031	18,822	(506,204)
47,767,616	31,314,744	79,082,360	(4,309,742)
<b>\$ 47,106,407</b>	<b>\$ 31,994,775</b>	<b>\$ 79,101,182</b>	<b>\$ (4,815,946)</b>

# City of Romulus, Michigan

## Governmental Funds Balance Sheet June 30, 2003

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 3)	\$ 616,722	\$ 4,747,104	\$ 5,363,826
Receivables - Net	2,600,330	1,975,367	4,575,697
Prepaid costs and other assets	269,291	-	269,291
Due from other funds	267,137	260,096	527,233
Due from other governmental units	2,258,104	514,661	2,772,765
Inventories	20,842	70,002	90,844
Total assets	<u>\$ 6,032,426</u>	<u>\$ 7,567,230</u>	<u>\$ 13,599,656</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 470,529	\$ 544,322	\$ 1,014,851
Accrued and other liabilities	481,944	19,057	501,001
Retainage payable	-	15,284	15,284
Due to other funds	911,597	250,693	1,162,290
Due to other governmental units	96,468	359,496	455,964
Deferred revenue	1,575,699	1,904,140	3,479,839
Total liabilities	<u>\$ 3,536,237</u>	<u>\$ 3,092,992</u>	<u>\$ 6,629,229</u>
<b>Fund Balances</b>			
Reserved (Note 9)	\$ 38,270	\$ 308,617	\$ 346,887
Unreserved - Designated for subsequent year's expenditures -			
Reported in:			
General Fund	1,431,562	-	1,431,562
Special Revenue Funds	-	1,349,440	1,349,440
Debt Service Funds	-	29,932	29,932
Unreserved:			
General Fund	1,026,357	-	1,026,357
Special Revenue Funds	-	2,553,535	2,553,535
Debt Service Funds	-	24,515	24,515
Capital projects	-	208,199	208,199
Total fund balances	<u>\$ 2,496,189</u>	<u>\$ 4,474,238</u>	6,970,427

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	38,873,560
Special assessment and Metro World Centre, Ltd. receivables are expected to be collected over several years and are not available to pay current year expenditures	2,421,950
Grant revenue and delinquent personal property tax not collected within 60 days of year end are recognized as revenue in the statement of net assets, but shown as deferred revenue in the funds	930,028
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(6,645,438)
Internal Service Funds in the statement of net assets are included as part of governmental activities	4,555,880
Net assets of governmental activities	<u>\$ 47,106,407</u>

# City of Romulus, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2003

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 10,258,712	\$ 1,046,723	\$ 11,305,435
Licenses and permits	732,084	-	732,084
Intergovernmental revenues	3,512,320	1,675,309	5,187,629
Charges for services	1,618,662	-	1,618,662
Fines and forfeitures	1,459,372	323,044	1,782,416
Investment income	278,813	105,390	384,203
Other	491,431	510,659	1,002,090
Total revenue	18,351,394	3,661,125	22,012,519
<b>Expenditures</b>			
Current:			
Legislative	62,919	-	62,919
General government	5,632,446	215,129	5,847,575
Public safety	10,335,630	297,849	10,633,479
Public works	561,215	3,449,178	4,010,393
Health and welfare	474,408	-	474,408
Recreation and culture	852,634	197,981	1,050,615
Capital outlay	-	196,319	196,319
Debt service	-	679,817	679,817
Total expenditures	17,919,252	5,036,273	22,955,525
<b>Excess of Revenue Over (Under) Expenditures</b>	432,142	(1,375,148)	(943,006)
<b>Other Financing Sources (Uses)</b>			
Transfers in	40,579	1,003,995	1,044,574
Transfers out	(565,995)	(478,579)	(1,044,574)
Total other financing sources (uses)	(525,416)	525,416	-
<b>Net Change in Fund Balances</b>	(93,274)	(849,732)	(943,006)
<b>Fund Balances - Beginning of year</b>	2,589,463	5,323,970	7,913,433
<b>Fund Balances - End of year</b>	<u>\$ 2,496,189</u>	<u>\$ 4,474,238</u>	<u>\$ 6,970,427</u>

# City of Romulus, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2003**

**Net Change in Fund Balances - Total Governmental Funds** \$ (943,006)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 1,981,309

Depreciation on capital assets reported on governmental funds report as capital outlays expenditures (1,779,591)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (389,688)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) 373,670

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 375,000

Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities (220,168)

Internal Service Funds are also included as governmental activities (58,735)

**Change in Net Assets of Governmental Activities** \$ (661,209)



# City of Romulus, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2003

	Enterprise - Sewer and Water	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 3,550,315	\$ 2,195,819
Receivables - Net	2,179,923	1,669
Due from other funds	579,477	136,661
Due from other governmental units	106,851	-
Inventories	53,003	30,066
Total current assets	6,469,569	2,364,215
Noncurrent assets:		
Restricted assets	6,433,279	-
Capital assets	52,736,322	2,900,805
Total noncurrent assets	59,169,601	2,900,805
Total assets	65,639,170	5,265,020
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,545,925	312,348
Accrued and other liabilities	250,506	9,507
Customer deposits payable	54,562	-
Claims payable	-	38,308
Due to other funds	67,098	13,983
Due to other governmental units	-	293
Current portion of compensated absences	19,313	9,060
Current portion of long-term debt	1,613,948	172,484
Total current liabilities	3,551,352	555,983
Noncurrent liabilities:		
Provision for compensated absences	63,503	21,076
Long-term debt - Net of current portion	30,029,540	132,081
Total noncurrent liabilities	30,093,043	153,157
Total liabilities	33,644,395	709,140
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	21,092,834	2,596,240
Restricted	9,713,279	-
Unrestricted	1,188,662	1,959,640
Total net assets	<u>\$ 31,994,775</u>	<u>\$ 4,555,880</u>

# City of Romulus, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2003

	Enterprise - Water and Sewer Fund	Internal Service Funds
<b>Operating Revenue</b>		
Charges for services	\$ 7,285,616	\$ 2,462,961
Other charges for services	<u>89,738</u>	<u>5,518</u>
Total operating revenue	7,375,354	2,468,479
<b>Operating Expenses</b>		
Administrative charges	704,827	-
Salaries	815,484	335,515
Sewer and water disposal	4,560,153	-
Operating supplies	22,886	89,275
Repairs and maintenance	60,133	284,355
Gas and oil	-	143,745
Insurance	41,254	623,099
Fringe benefits	380,630	116,135
Equipment rental	218,077	20,075
Miscellaneous	15,650	3,408
Depreciation	1,385,736	604,590
Contractual services	169,853	327,442
Claims and legal	<u>-</u>	<u>5,304</u>
Total operating expenses	<u>8,374,683</u>	<u>2,552,943</u>
<b>Operating Loss</b>	(999,329)	(84,464)
<b>Nonoperating Revenue (Expense)</b>		
Property taxes	2,193,498	-
Investment income	184,018	23,556
Interest expense	(814,176)	-
Debt service charges	114,895	-
Gain on disposal of assets	<u>1,126</u>	<u>2,173</u>
Total nonoperating revenue (expense)	<u>1,679,361</u>	<u>25,729</u>
<b>Change in Net Assets</b>	680,032	(58,735)
<b>Net Assets - Beginning of year</b>	<u>31,314,743</u>	<u>4,614,615</u>
<b>Net Assets - End of year</b>	<u><u>\$ 31,994,775</u></u>	<u><u>\$ 4,555,880</u></u>

# City of Romulus, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2003

	Enterprise - Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 7,570,105	\$ 3,209,960
Payments to suppliers	(5,192,832)	(1,473,068)
Payments to employees	(1,074,622)	(422,192)
Internal activity - Payments to other funds	(577,487)	-
Claims paid	-	(66,191)
Net cash provided by operating activities	725,164	1,248,509
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from property tax levy - Restricted for debt service	2,193,497	-
Payments to County from Debt Service Fund	(1,566,654)	-
Principal paid on long-term debt	(167,436)	(165,639)
Interest paid on long-term debt	(814,176)	-
Debt service charges	114,895	-
Purchase of capital assets	(1,463,703)	(861,301)
Net cash used in capital and related financing activities	(1,703,577)	(1,026,940)
<b>Cash Flows from Investing Activities - Investment income</b>	64,280	23,555
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(914,133)	245,124
<b>Cash and Cash Equivalents - Beginning of year</b>	10,897,727	1,950,695
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 9,983,594</b>	<b>\$ 2,195,819</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 3,550,315	\$ 2,195,819
Restricted investments (Note 3)	6,433,279	-
Total cash and cash equivalents	<b>\$ 9,983,594</b>	<b>\$ 2,195,819</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (999,329)	\$ (84,464)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,385,736	604,590
Changes in assets and liabilities:		
Receivables	62,844	-
Due from other funds	(509,186)	882,246
Due from other governmental units	251,511	-
Inventory	(9,880)	(6,931)
Accounts payable	594,259	7,273
Accrued and other liabilities	137,116	29,458
Due to other funds	(187,907)	(183,663)
Net cash provided by operating activities	<b>\$ 725,164</b>	<b>\$ 1,248,509</b>

# City of Romulus, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2003

	Pension and Other Employee Benefits Trust Retirees' Insurance Benefits Fund	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 1,751,781	\$ 2,210,860
Accounts receivable	8,339	1,915
Due from other governmental units	<u>1,556</u>	<u>518,339</u>
Total assets	1,761,676	<u><u>\$ 2,731,114</u></u>
<b>Liabilities</b>		
Due to other governmental units	-	\$ 205,930
Accrued and other liabilities	<u>6,601</u>	<u>2,525,184</u>
Total liabilities	<u>6,601</u>	<u><u>\$ 2,731,114</u></u>
<b>Net Assets</b> - Held in trust for employee benefits	<u><u>\$ 1,755,075</u></u>	

# City of Romulus, Michigan

## **Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2003**

	Pension and Other Employee Benefits Trust Retirees' Insurance Benefits Fund
<b>Additions</b>	
Investment income:	
Interest income	\$ 932
Net increase in fair value of investments	<u>22,483</u>
Total investment income	23,415
Contributions - Employer	<u>540,002</u>
Total additions	563,417
<b>Deductions - Benefit payments</b>	<u>337,049</u>
<b>Net Increase in Net Assets Held for Retirees' Insurance Benefits</b>	226,368
<b>Net Assets Held in Trust for Retiree Insurance Benefits</b>	
Beginning of year	<u>1,528,707</u>
End of year	<u><u>\$ 1,755,075</u></u>

# City of Romulus, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2003

	Tax Increment Finance Authority	Downtown Development Authority	Economic Development Corporation	Totals
<b>Assets</b>				
Cash and investments (Note 3)	\$ 14,710,925	\$ 1,580,669	\$ 37,288	\$ 16,328,882
Receivables - Accrued interest	28,311	-	-	28,311
Due from other governmental units	337,989	17,639	-	355,628
Total assets	15,077,225	1,598,308	37,288	16,712,821
<b>Liabilities</b>				
Accounts payable	107,534	62,951	-	170,485
Deferred revenue	328,000	15,059	-	343,059
Retainage payable	11,612	-	-	11,612
Due to other governmental units	9,197,762	630,761	88	9,828,611
Bonds payable:				
Due within one year	770,000	140,000	-	910,000
Due in more than one year	8,320,000	1,945,000	-	10,265,000
Total liabilities	18,734,908	2,793,771	88	21,528,767
<b>Net Assets (Deficit) - Unrestricted</b>	<b>\$ (3,657,683)</b>	<b>\$ (1,195,463)</b>	<b>\$ 37,200</b>	<b>\$ (4,815,946)</b>

# City of Romulus, Michigan

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Tax Increment Finance Authority - Public works	\$ 4,898,308	\$ -	\$ -
Downtown Development Authority - Public works	577,335	-	-
Economic Development Corporation - Community development	332	-	-
Total governmental activities	<u>\$ 5,475,975</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes

Interest income

Total general revenues

**Change in Net Assets (Deficit)**

**Net Assets (Deficit) - Beginning of year**

**Net Assets (Deficit) - End of year**

**Component Units  
Statement of Activities  
Year Ended June 30, 2003**

Net (Expense) Revenue and Changes in Net Assets			
Tax Increment Finance Authority	Downtown Development Authority	Economic Development Corporation	Total
\$ (4,898,308)	\$ -	\$ -	\$ (4,898,308)
-	(577,335)	-	(577,335)
-	-	(332)	(332)
(4,898,308)	(577,335)	(332)	(5,475,975)
4,024,096	756,003	-	4,780,099
175,571	13,518	583	189,672
4,199,667	769,521	583	4,969,771
(698,641)	192,186	251	(506,204)
(2,959,042)	(1,387,649)	36,949	(4,309,742)
<b>\$ (3,657,683)</b>	<b>\$ (1,195,463)</b>	<b>\$ 37,200</b>	<b>\$ (4,815,946)</b>



### Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Romulus, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used:

#### **Reporting Entity**

The City of Romulus, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

**Blended Component Units** - The City of Romulus Building Authority is governed by a five-member board that is appointed by City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

**Discretely Presented Component Units** - The following component units are reported within the component units column to emphasize that they are legally separate from the City.

- (a) The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is appointed by the mayor with the approval of City Council.
- (b) The Downtown Development Authority (the "Development Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation and to promote economic growth within the downtown district. The Development Authority's governing body, which consists of seven individuals, is appointed by the mayor with the approval of City Council. In addition, the Development Authority's budget is subject to approval by the City Council.

### **Note I - Summary of Significant Accounting Policies (Continued)**

- (c) The Tax Increment Finance Authority (the "Finance Authority") was created to promote growth. The Finance Authority's governing body, which consists of thirteen individuals, is appointed by the mayor with the approval of City Council. In addition, the Finance Authority's budget is subject to approval by the City Council.
- (d) The Brownfield Redevelopment Authority (the "Brownfield Authority") was created to promote growth by encouraging the correction of environmental damage. The Brownfield Authority's governing body, which consists of five individuals, is appointed by the mayor with the approval of City Council. In addition, the Brownfield Authority's budget is subject to approval by the City Council. There has been no activity in the Brownfield Authority to date.

The City of Romulus Housing Authority (the "Housing Authority") has not been included in the City's reporting entity because the City lacks the ability to impose its will on the Housing Authority under the guidelines of Governmental Accounting Standards Board Statement Number 14. This entity is subject to separate audit requirements.

**Jointly Governed Organization** - The City is a member of the following jointly governed organizations:

- (a) The City is a member of the 34th District Court, which provides services to the City of Romulus, the City of Belleville, and the Townships of Huron, Sumpter, and Van Buren. The City has a two-thirds interest in the revenue of the court and provides the annual funding for its operations. During the year, the City received net revenue from the Court of \$1,412,225. The City is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future. Complete financial statements for the 34th District Court can be obtained from the administrative offices at 11131 Wayne Road, Romulus, Michigan.
- (b) The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer Fund. During the year, the City paid \$2,710,707 for operations of the system and \$2,376,181 for debt service. The City is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future, except as discussed in Note 11. Financial statements for both joint ventures can be obtained from the administrative offices at 415 Clifford, Detroit 48226.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet included property taxes and State-shared revenue. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental fund:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund is the City's only major proprietary fund. It accounts for the activities of the water distribution systems and sewage collection system.

Additionally, the City reports the following fund types:

**Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of the Retirees Insurance Benefit Fund, which accumulates resources for postretirement health benefit payments to qualified retirees.

**Agency Funds** - The Agency Funds are used to account for assets held by the City in a trustee capacity for others. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Internal Service Funds** - Internal Service Funds account for major vehicle and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

The effect of interfund activity has been eliminated from the government-wide financial statements, except for such activity between the governmental and business-type funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost for services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Property Taxes** - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed on July 1 of the following year and became a lien at that time. These taxes are due on September 30 with the final collection date of February 28 before they are added to the county tax rolls, at which time penalties and interest are assessed.

The 2002 taxable valuation of the City totaled \$996.6 million, on which ad valorem taxes levied consisted of 9.528 mills for the City's operating purposes, .7000 mills for sanitation, and 1.395 mills for EPA judgment levy. The ad valorem taxes levied raised approximately \$8,000,000 for operations, \$590,000 for sanitation, and \$2,200,000 for the EPA judgment levy. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Water and Sewer Fund financial statements as taxes receivable - current or as tax revenue.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Restricted asset information is included in Note 7.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

### Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Infrastructure	20 years
Utility system	50 years
Meters	50 years
Buildings and improvements	33 years
Equipment and machinery	3 to 10 years
Vehicles	12 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Employees may receive payment of the accumulated sick leave and vacation balance at the rate determined by union contracts, which vary from unit to unit. A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The City adopts its budget on an activity basis (department), which is in accordance with the State's legal requirements and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In February, the mayor holds a meeting with all departments. At this time, the finance department provides the necessary budget materials with instructions and discusses intended strategies.



### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

2. In March, the mayor and finance director hold meetings with each department to review proposed spending and activities. Working with the finance director, alternative approaches are sought to provide better services and reduce costs. Departmental recommendations are refined by the mayor according to overall City needs and estimated available revenue.
3. The City Charter provides that the mayor must submit his recommendations on the upcoming year's budget on or before the first day of April. With his line item recommendations, the mayor summarizes major policy and concerns, along with his proposed tax levy and the estimated revenue generated in his transmittal letter located in the supplemental schedules section of this document.
4. The City Council conducts budget hearings with the mayor and the finance director during the month of April. Citizens are given an opportunity to comment on proposed spending at a City Council public hearing, which is generally held on the first or second Monday in May. Prior to this public hearing, the proposed budget is available to the public in the City Clerk's office for inspection for a period of not less than three weeks. The Council then makes final adjustments to the proposed budget, according to the concerns developed during its public hearings. Under Charter, the City Council must adopt the final budget for the ensuing fiscal year on or before May 15 of each year.
5. The City budget is adopted by resolution, which incorporates the line items in the mayor's recommendations, amendments and refinements as developed by changing events and concerns established in the Council hearing process, and policy guidelines for expenditure of funds. A vote of four of the seven Council members serving is necessary for budget adoption. The mayor has item veto authority, which he may exercise subsequent to budget adoption.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. Encumbrances outstanding of \$169,059 at June 30, 2003 have been reappropriated into next year's budget. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is presented as required supplemental information. Budgetary comparisons for the Special Revenue Funds can be obtained at City Hall.

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Operating transfers have been included in the “revenue” and “expenditures” categories rather than as “other financing sources (uses).”
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General government - Nondepartmental	\$ 332,083	\$ 392,444	\$ (60,361)
Public safety - Fire	1,513,970	1,529,976	(16,006)

These unfavorable variances in the General Fund were caused by unanticipated expenditures that became necessary during the year.

### Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated two banks for the deposit of City funds. The investment policy adopted by the City in accordance with Public Act 196 of 1997 has authorized investment in all of the options discussed above.

The City's deposits and investment policies are in accordance with statutory authority.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2003

### Note 3 - Deposits and Investments (Continued)

At year end, deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 7,559,645	\$ 3,550,315	\$ 3,962,641	\$ 15,072,601	\$ 16,328,882
Restricted assets	-	1,617,716	-	1,617,716	-
Total	<u>\$ 7,559,645</u>	<u>\$ 5,168,031</u>	<u>\$ 3,962,641</u>	<u>\$ 16,690,317</u>	<u>\$ 16,328,882</u>

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 7,181,749	\$ 6,602,130
Investments in securities, mutual funds, and similar vehicles	<u>9,508,568</u>	<u>9,726,752</u>
Total	<u>\$ 16,690,317</u>	<u>\$ 16,328,882</u>

The bank balance of the City's deposits is \$10,354,341 of which \$854,213 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The component units' deposits had a bank balance of \$6,534,333, of which \$360,928 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

### Note 3 - Deposits and Investments (Continued)

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were as follows:

	Primary Government	Component Units
U.S. government securities	\$ 3,435,135	\$ 274,652
MBIA Michigan Class	843,589	-
Bank investment pools	5,229,844	9,452,100
Total	<u>\$ 9,508,568</u>	<u>\$ 9,726,752</u>

The U.S. government securities are categorized as risk Category 3. The MBIA Michigan Class and bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The investments under the interlocal agreement (MBIA-CLASS) are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares.

Management believes that the investments in the funds comply with the investment authority noted above.

Included in the City's investments at June 30, 2003 are the following:

- Approximately \$96,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$763,000 of collateralized mortgage obligations (or obligations of the Federal National Mortgage Association) and approximately \$925,427 issued by the Federal Home Loan Mortgage Corporation. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2003

### Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor, Internal Service, and fiduciary funds in the aggregate are as follows:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Fund	Fiduciary Fund	Total
Receivables:						
Taxes	\$ 1,266,951	\$ 97,996	\$ 296,170	\$ -	\$ -	\$ 1,661,117
Accounts	398,640	364,108	1,883,753	1,669	10,254	2,658,424
Note receivable - Metro World Centre, Ltd.	934,739	-	-	-	-	934,739
Special assessment	-	1,513,263	-	-	-	1,513,263
Net receivables	<u>\$ 2,600,330</u>	<u>\$ 1,975,367</u>	<u>\$ 2,179,923</u>	<u>\$ 1,669</u>	<u>\$ 10,254</u>	<u>\$ 6,767,543</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 1,487,211	\$ -
Metro World Centre, Ltd.	934,739	-
Delinquent personal property tax	672,281	-
Grant payment received prior to meeting all eligibility requirements	<u>257,746</u>	<u>127,862</u>
Total	<u>\$ 3,351,977</u>	<u>\$ 127,862</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2003

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,480,199	\$ 134,296	\$ -	\$ 4,614,495
Construction in progress	338,010	1,156,660	-	1,494,670
Subtotal	4,818,209	1,290,956	-	6,109,165
Capital assets being depreciated:				
Land improvements	473,118	-	-	473,118
Buildings and improvements	8,407,089	110,816	-	8,517,905
Vehicles	4,946,666	656,167	(270,233)	5,332,600
Equipment and machinery	5,487,523	850,218	(291,427)	6,046,314
Infrastructure	36,090,745	-	-	36,090,745
Subtotal	55,405,141	1,617,201	(561,660)	56,460,682
Accumulated depreciation:				
Land improvements	361,017	15,315	-	376,332
Buildings and improvements	2,933,374	202,265	(291,427)	2,844,212
Vehicles	3,016,673	427,142	(226,416)	3,217,399
Equipment and machinery	3,884,303	654,212	-	4,538,515
Infrastructure	8,714,219	1,104,805	-	9,819,024
Subtotal	18,909,586	2,403,739	(517,843)	20,795,482
Net capital assets being depreciated	36,495,555	(786,538)	(43,817)	35,665,200
Net capital assets	\$ 41,313,764	\$ 504,418	\$ (43,817)	\$ 41,774,365

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2003

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 88,065	\$ -	\$ -	\$ 88,065
Construction in progress	1,370,013	-	-	1,370,013
Subtotal	1,458,078	-	-	1,458,078
Capital assets being depreciated:				
Buildings	785,130	-	-	785,130
Utility system	66,605,805	1,421,000	-	68,026,805
Meters	1,190,455	38,286	-	1,228,741
Equipment	206,130	5,542	-	211,672
Subtotal	68,787,520	1,464,828	-	70,252,348
Accumulated depreciation:				
Buildings	509,904	15,703	-	525,607
Utility system	16,234,369	1,313,719	-	17,548,088
Meters	670,090	47,109	-	717,199
Equipment	174,006	9,204	-	183,210
Subtotal	17,588,369	1,385,735	-	18,974,104
Net capital assets being depreciated	51,199,151	79,093	-	51,278,244
Net capital assets	\$ 52,657,229	\$ 79,093	\$ -	\$ 52,736,322

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 309,108
Public safety	260,824
Public works	1,112,311
Community and economic development	36,864
Recreation and culture	60,484
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	624,148
Total governmental activities	\$ 2,403,739
Business-type activities - Water and sewer	\$ 1,385,735

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable recorded in:	Payable recorded in:	Amount
General Fund	Nonmajor governmental funds:	\$ 202,022
	Proprietary fund - Water and Sewer Fund	51,132
	Internal Service Funds	<u>13,983</u>
	Total General Fund	267,137
Nonmajor governmental funds	General Fund	260,096
Water and Sewer Fund	General Fund	570,266
	Nonmajor governmental funds	<u>9,211</u>
	Total Sewer and Water Fund	579,477
Internal Service Funds	General Fund	80,810
	Water and Sewer Fund	15,966
	Nonmajor governmental funds	<u>39,885</u>
	Total Internal Service Funds	<u>136,661</u>
	Total	<u>\$ 1,243,371</u>

Interfund balances arise from the centralized disbursement system as well as reimbursements.

### Interfund Transfers

	Transfers Out		
	Nonmajor Governmental		
	General Fund	Funds	Total
Transfers in:			
General Fund	\$ -	\$ 40,579	\$ 40,579
Nonmajor governmental funds	<u>565,995</u>	<u>438,000</u>	<u>1,003,995</u>
Total	<u>\$ 565,995</u>	<u>\$ 478,579</u>	<u>\$ 1,044,574</u>



### Note 7 - Restricted Assets

Restricted assets at June 30, 2003 consist of the following:

Cash on deposit at Wayne County	\$ 4,815,563
Cash and investments	<u>1,617,716</u>
Total	<u>\$ 6,433,279</u>

The cash on deposit at Wayne County is being held at Wayne County for County sewage disposal system bonds. These restricted assets resulted from property tax collections and are restricted for debt service payments.

The cash and investments consist of property tax collections held by the City to pay certain Water and Sewer Fund debt service payments.

Net assets have been restricted for these amounts.

### Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2003

### Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Range	Maturity Date Range	Maturity Date Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:								
General obligation bonds:								
Building Authority Bonds - \$4,700,000	5.00%-7.50%	2013	\$135,000-\$280,000	\$ 2,775,000	\$ -	\$ (275,000)	\$ 2,500,000	\$ 295,000
Beverly Road Bond - \$1,650,000	4.00%-6.80%	2015	\$90,000-\$155,000	1,650,000	-	(85,000)	1,565,000	90,000
Installment purchase agreements - \$760,471	4.79%-6.30%	2005	\$27,663-\$106,253	470,204	-	(165,639)	304,565	172,484
Special assessment bonds - Beverly Rd. - \$1,650,000	4.00%-5.10%	2021	\$95,000-\$80,000	1,650,000	-	(15,000)	1,635,000	95,000
Total governmental activities				<u>\$ 6,545,204</u>	<u>\$ -</u>	<u>\$ (540,639)</u>	<u>\$ 6,004,565</u>	<u>\$ 652,484</u>
Business-type activities - Wayne County								
Contractual Obligations - \$38,513,282	2.00%-6.30%	2022	\$12,119-\$650,369	<u>\$ 33,377,578</u>	<u>\$ -</u>	<u>\$ (1,734,090)</u>	<u>\$ 31,643,488</u>	<u>\$ 1,613,948</u>

Long-term obligation activity for the component units is as follows:

	Interest Rate Range	Maturity Date Range	Maturity Payment Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:								
Tax Increment Finance Authority								
General Obligation Bonds - \$14,070,000	5.5% - 6.8%	2019	\$180,000-\$735,000	\$ 9,630,000	\$ 110,000	\$ (650,000)	\$ 9,090,000	\$ 770,000
Downtown Development Authority								
General Obligation Bonds - \$2,500,000	6.125% - 6.5%	2013	\$130,000-\$250,000	2,070,000	125,000	(110,000)	2,085,000	140,000
Total governmental activities				<u>\$ 11,700,000</u>	<u>\$ 235,000</u>	<u>\$ (760,000)</u>	<u>\$ 11,175,000</u>	<u>\$ 910,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 652,484	\$ 271,646	\$ 924,130	\$ 1,613,948	\$ 765,407	\$ 2,379,355	\$ 910,000	\$ 500,762	\$ 1,410,762
2005	492,081	240,611	732,692	1,655,524	725,007	2,380,531	975,000	467,410	1,442,410
2006	370,000	218,216	588,216	1,697,428	684,901	2,382,329	1,005,000	440,249	1,445,249
2007	385,000	201,266	586,266	1,739,518	641,745	2,381,263	1,035,000	408,294	1,443,294
2008	400,000	183,616	583,616	1,786,541	598,447	2,384,988	1,075,000	374,152	1,449,152
2009-2013	2,245,000	622,761	2,867,761	9,600,666	2,292,881	11,893,547	3,080,000	1,356,515	4,436,515
2014-2018	1,140,000	171,208	1,311,208	9,991,866	1,044,287	11,036,153	2,140,000	664,446	2,804,446
2019-2023	320,000	32,640	352,640	3,557,995	105,970	3,663,965	955,000	65,644	1,020,644
Total	<u>\$ 6,004,565</u>	<u>\$ 1,941,964</u>	<u>\$ 7,946,529</u>	<u>\$ 31,643,486</u>	<u>\$ 6,858,645</u>	<u>\$ 38,502,131</u>	<u>\$ 11,175,000</u>	<u>\$ 4,277,472</u>	<u>\$ 15,452,472</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2003

### Note 8 - Long-term Debt (Continued)

During the year ended June 30, 2000, the County of Wayne, Michigan, on behalf of the City, defeased certain Downriver Sewage Disposal System 1994 Series A bonds by placing the proceeds in an irrevocable trust with an escrow agent to provide for all future debt services payments on the 1994 Series A bonds. As a result, the bonds are considered defeased and the liability for the bonds has been removed from the City's Enterprise Fund. At June 30, 2003, \$724,000, representing the City's portion of the bonds outstanding, is considered defeased.

### Note 9 - Reserved/Restricted and Designated Fund Balances/Net Assets

Fund balances/net assets have been reserved or restricted for the following purposes:

	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Total
Reserved for training grant	\$ 8,717	\$ -	\$ -	\$ 8,717
Reserved for drain maintenance	8,711	-	-	8,711
Reserved for inventory	20,842	70,003	-	90,845
Reserved for grants expenditures	-	238,614	-	238,614
Restricted for water main replacement	-	-	3,280,000	3,280,000
Restricted for debt service	-	-	6,433,279	6,433,279
Total	<u>\$ 38,270</u>	<u>\$ 308,617</u>	<u>\$ 9,713,279</u>	<u>\$ 10,060,166</u>

### Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal League risk pool for claims relating to employee injuries (workers' compensation) and for claims relating to general liability and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 10 - Risk Management (Continued)

The City was a member of the Michigan Municipal Risk Management Authority ("MMRMA") risk pool program prior to July 1, 1998. MMRMA operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to MMRMA that the MMRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Property and Liability Self-Insurance Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2003	2002
Unpaid claims - Beginning of year	\$ 104,499	\$ 166,943
Incurred claims (including claims incurred but not reported)	(65,670)	149,556
Claim payments	(521)	(212,000)
Unpaid claims - End of year	<u>\$ 38,308</u>	<u>\$ 104,499</u>

### Note 11 - Contingencies

The City has been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. Under the terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. These estimated total cost of the project is approximately \$300,000,000, with the City's share estimated to be approximately \$40,000,000. The outstanding balance payable at June 30, 2003 was \$31,643,486. The bonds will be paid through a court-ordered judgment levy.

### **Note 12 - Pension Plan - Michigan Municipal Employees' Retirement System**

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers certain members of the Police Officers Labor Council and the Police Officers Association of Michigan. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5.0 percent and 2.5 percent of gross wages for Police Officers Labor Council and the Police Officers Association of Michigan, respectively.

**Annual Pension Costs** - For the year ended June 30, 2003, the City's annual pension cost of \$488,916 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Significant actuarial assumptions used include: (a) an 8.0 percent investment rate of return; (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases; and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The amortization period is 30 years.

### Note 12 - Pension Plan - Michigan Municipal Employees' Retirement System (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2001	2002	2003
Annual pension costs (APC)	\$ 533,634	\$ 610,528	\$ 488,916
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	Actuarial Valuation as of December 31		
	2000	2001	2002
Actuarial value of assets	\$ 7,492,489	\$ 8,773,925	\$ 10,682,288
Actuarial accrued liability (entry age) (AAL)	\$ 10,707,393	\$ 13,068,028	\$ 19,646,625
Unfunded AAL (UAAL)	\$ 3,214,904	\$ 4,294,103	\$ 8,964,337
Funded ratio	70.0%	67.1%	54.4%
Covered payroll	\$ 3,998,339	\$ 4,260,680	\$ 3,736,153
UAAL as a percentage of covered payroll	80.4%	100.8%	239.9%

### Note 13 - Defined Contribution Pension Plan

The City provides pension benefits to all groups not covered in the MMERS plan through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by labor contracts with the approval by the City Council, the City contributes from 5.0 percent to 13.5 percent of employees' gross earnings and employees contribute 1.5 percent to 5.0 percent of earnings. In accordance with these requirements, the City contributed \$409,792 during the current year, and employees contributed \$203,069.

### Note 14 - Postemployment Benefits

The City provides health care benefits to substantially all full-time employees upon retirement, in accordance with labor contracts and City personnel policies as approved by the City Council. Currently, 45 retirees are eligible. The City included pre-Medicare retirees and their dependents in its insured health care plan. For certain employee groups, a contribution is required by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$337,000.

### Note 15 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2002	\$ (153,730)
Current year building permit revenue	778,137
Related expenses:	
Direct costs	\$ 1,665,868
Estimated indirect costs	<u>110,232</u>
Total construction code expenses	<u>1,776,100</u>
Cumulative shortfall at June 30, 2003	<u>\$ (1,151,693)</u>

### Note 16 - New Reporting Model

In June 1999, the Governmental Accounting Standards Board issued *Statement of Financial Accounting Standards No. 34, Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments (SFAS No. 34)*. Certain of the significant changes in SFAS No. 34 include the following:

- A management discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (road, bridges, etc.) not previously reported in the General Fixed Assets Account Group
- A change in the fund financial statements to focus on the major funds
- In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The City has elected to implement both the general provisions of GASB No. 34 and the retroactive reporting of infrastructure in the current year.

## **Required Supplemental Information**

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# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 2,589,463	\$ 2,589,463	\$ 2,589,463	\$ -
<b>Resources (Inflows)</b>				
Property taxes	9,167,427	9,167,427	8,731,537	(435,890)
Licenses and permits	1,353,000	1,369,900	732,084	(637,816)
Federal sources	76,958	87,005	31,164	(55,841)
State sources	4,120,749	4,150,343	3,481,156	(669,187)
Charges for services	844,850	1,194,227	1,545,666	351,439
Fines and forfeitures	1,215,000	1,285,000	1,459,372	174,372
Interest income	600,500	600,500	278,813	(321,687)
Other	189,000	514,299	2,091,602	1,577,303
Transfer from other funds	646,274	-	40,579	40,579
Amounts available for appropriation	18,213,758	18,368,701	18,391,973	23,272
<b>Charges to Appropriations (Outflows)</b>				
General government:				
City council	88,316	67,314	62,919	4,395
Mayor	222,107	223,012	212,673	10,339
Elections	95,950	120,480	107,498	12,982
Assessor	427,047	421,040	362,928	58,112
Attorney	275,500	293,606	210,952	82,654
Clerk	407,009	408,663	384,965	23,698
Finance department	565,777	579,137	568,278	10,859
Personnel	284,767	283,854	263,730	20,124
Treasurer	367,303	375,372	354,164	21,208
Building and grounds	2,394,082	2,700,439	2,425,941	274,498
City-owned property	17,000	17,000	7,777	9,223
Cemetery	145,084	151,467	129,531	21,936
Board of Review	2,450	2,450	970	1,480
Tax Tribunal refunds	50,000	50,000	25,381	24,619
Nondepartmental	388,506	332,083	392,444	(60,361)
Public safety:				
Police	7,632,769	7,465,600	7,348,183	117,417
Fire	1,229,626	1,513,970	1,529,976	(16,006)
Building inspection	1,381,109	1,382,961	1,073,721	309,240
Planning	227,632	314,491	292,140	22,351
Zoning	10,774	10,774	7,866	2,908
Emergency preparedness	79,422	119,824	83,744	36,080
Community and economic development:				
Community service	22,200	33,044	30,301	2,743
Community and development	135,487	136,441	97,581	38,860
Public relations	60,150	60,150	57,332	2,818
Public works:				
Department of public works	554,886	565,799	507,558	58,241
Drains-at-large	20,000	81,940	53,657	28,283
Health and welfare:				
Ordinance	273,318	300,286	293,729	6,557
Animal control	189,991	189,992	180,679	9,313

# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Charges to Appropriations (Outflows) (Continued)</b>				
Recreation and cultural:				
Recreation	\$ 625,838	\$ 663,256	\$ 608,682	\$ 54,574
Library	317,744	326,039	242,231	83,808
Historical	1,935	1,935	1,721	214
Contingencies	780,000	610,000	-	610,000
Transfers to other funds	565,995	565,995	565,995	-
Total charges to appropriations	19,839,774	20,368,414	18,485,247	1,883,167
<b>Fund Balance - End of year</b>	<b>\$ 963,447</b>	<b>\$ 589,750</b>	<b>\$ 2,496,189</b>	<b>\$ 1,906,439</b>

## **Other Supplemental Information**

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# City of Romulus, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Cable TV	911	Sanitation
<b>Assets</b>					
Cash and investments	\$ 1,962,211	\$ 958,845	\$ 224,075	\$ 221,379	\$ 127,831
Taxes receivable	-	-	-	-	97,996
Special assessment receivable	-	-	-	-	-
Accounts receivable	263,378	-	51,716	11,312	-
Due from other funds	8,317	-	-	-	-
Due from other governmental units	179,866	66,825	-	-	140,106
Inventories	28,000	42,002	-	-	-
Total assets	<u>\$ 2,441,772</u>	<u>\$ 1,067,672</u>	<u>\$ 275,791</u>	<u>\$ 232,691</u>	<u>\$ 365,933</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 96,269	\$ 208,408	\$ -	\$ 5,396	\$ 61,648
Accrued wages	6,591	9,886	2,431	-	-
Retainage payable	5,000	10,284	-	-	-
Due to other funds	26,090	26,632	1,568	-	-
Due to other governmental units	225	343	57	-	4,496
Deferred revenue	-	-	-	-	60,179
Total liabilities	134,175	255,553	4,056	5,396	126,323
<b>Fund Balances</b>					
Reserved	28,001	42,002	-	-	-
Unreserved:					
Designated	490,941	597,180	29,379	53,595	82,495
Undesignated	1,788,655	172,937	242,356	173,700	157,115
Total fund balances	2,307,597	812,119	271,735	227,295	239,610
Total liabilities and fund balances	<u>\$ 2,441,772</u>	<u>\$ 1,067,672</u>	<u>\$ 275,791</u>	<u>\$ 232,691</u>	<u>\$ 365,933</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2003**

Community Development Block Grant	Street Lighting	Narcotics Enforcement	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 230,302	\$ 25,436	\$ 373,924	\$ 77,169	\$ 545,932	\$ 4,747,104
-	-	-	-	-	97,996
-	-	-	-	1,513,263	1,513,263
-	37,702	-	-	-	364,108
149,270	-	102,509	-	-	260,096
127,864	-	-	-	-	514,661
-	-	-	-	-	70,002
<b>\$ 507,436</b>	<b>\$ 63,138</b>	<b>\$ 476,433</b>	<b>\$ 77,169</b>	<b>\$ 2,059,195</b>	<b>\$ 7,567,230</b>
\$ 104,181	\$ 24,608	\$ 34,343	\$ -	\$ 9,469	\$ 544,322
-	-	-	149	-	19,057
-	-	-	-	-	15,284
170,819	-	3,011	22,573	-	250,693
-	59	-	-	354,316	359,496
231,701	-	125,049	-	1,487,211	1,904,140
506,701	24,667	162,403	22,722	1,850,996	3,092,992
-	-	238,614	-	-	308,617
-	27,000	68,850	29,932	-	1,379,372
735	11,471	6,566	24,515	208,199	2,786,249
735	38,471	314,030	54,447	208,199	4,474,238
<b>\$ 507,436</b>	<b>\$ 63,138</b>	<b>\$ 476,433</b>	<b>\$ 77,169</b>	<b>\$ 2,059,195</b>	<b>\$ 7,567,230</b>

# City of Romulus, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Cable TV	911	Sanitation
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 589,995
Federal sources	-	-	-	-	-
State sources	1,041,514	387,012	-	-	-
Fines and forfeitures:					
Federal	-	-	-	-	-
State	-	-	-	-	-
Interest income	45,823	18,308	6,018	3,207	6,180
Other	50,157	80,620	98,419	103,495	139,502
Total revenue	1,137,494	485,940	104,437	106,702	735,677
<b>Expenditures</b>					
Current:					
General government	-	-	215,129	-	-
Public safety	-	-	-	44,301	-
Public works	870,389	1,270,433	-	-	736,380
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	870,389	1,270,433	215,129	44,301	736,380
<b>Excess of Revenue Over (Under)</b>					
Expenditures	267,105	(784,493)	(110,692)	62,401	(703)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	438,000	-	-	-
Transfers out	(438,000)	-	-	-	-
Total other financing sources (uses)	(438,000)	438,000	-	-	-
<b>Net Change in Fund Balances</b>	(170,895)	(346,493)	(110,692)	62,401	(703)
<b>Fund Balances - July 1, 2002</b>	2,478,492	1,158,612	382,427	164,894	240,313
<b>Fund Balances - June 30, 2003</b>	<b>\$ 2,307,597</b>	<b>\$ 812,119</b>	<b>\$ 271,735</b>	<b>\$ 227,295</b>	<b>\$ 239,610</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2003**

Community Development Block Grant	Street Lighting	Narcotics Enforcement	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 325,888	\$ -	\$ -	\$ -	\$ 915,883
238,823	-	7,960	-	-	246,783
-	-	-	-	-	1,428,526
-	-	1,623	-	-	1,623
-	-	321,421	-	-	321,421
472	5,571	5,392	2,453	11,966	105,390
-	-	-	-	169,306	641,499
239,295	331,459	336,396	2,453	181,272	3,661,125
197,981	-	-	-	-	413,110
-	-	253,548	-	-	297,849
-	571,976	-	-	-	3,449,178
-	-	-	-	196,319	196,319
-	-	-	436,652	243,165	679,817
197,981	571,976	253,548	436,652	439,484	5,036,273
41,314	(240,517)	82,848	(434,199)	(258,212)	(1,375,148)
-	-	-	412,700	153,295	1,003,995
(40,579)	-	-	-	-	(478,579)
(40,579)	-	-	412,700	153,295	525,416
735	(240,517)	82,848	(21,499)	(104,917)	(849,732)
-	278,988	231,182	75,946	313,116	5,323,970
<b>\$ 735</b>	<b>\$ 38,471</b>	<b>\$ 314,030</b>	<b>\$ 54,447</b>	<b>\$ 208,199</b>	<b>\$ 4,474,238</b>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2003

	Vehicle and Equipment	Computer and Equipment	Property and Liability Self- Insurance Fund	Long-term Disability Self- Insurance Fund	Totals
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 880,588	\$ 421,908	\$ 821,446	\$ 71,877	\$ 2,195,819
Receivables	-	1,669	-	-	1,669
Due from other funds	114,088	22,573	-	-	136,661
Inventories	30,066	-	-	-	30,066
Total current assets	1,024,742	446,150	821,446	71,877	2,364,215
Noncurrent assets - Capital assets	2,803,659	97,146	-	-	2,900,805
Total assets	3,828,401	543,296	821,446	71,877	5,265,020
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	250,421	61,927	-	-	312,348
Claims payable	-	-	38,308	-	38,308
Due to other funds	13,983	-	-	-	13,983
Due to other governmental units	271	22	-	-	293
Accrued wages	8,385	1,122	-	-	9,507
Current portion of compensated absences	9,060	-	-	-	9,060
Current portion of long-term debt	172,484	-	-	-	172,484
Total current liabilities	454,604	63,071	38,308	-	555,983
Noncurrent liabilities:					
Provision for compensated absences -					
Net of current	16,092	4,984	-	-	21,076
Long-term debt - Net of current portion	132,081	-	-	-	132,081
Total liabilities	602,777	68,055	38,308	-	709,140
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	2,499,094	97,146	-	-	2,596,240
Unrestricted	726,530	378,095	783,138	71,877	1,959,640
Total net assets	<u>\$ 3,225,624</u>	<u>\$ 475,241</u>	<u>\$ 783,138</u>	<u>\$ 71,877</u>	<u>\$ 4,555,880</u>



# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2003

	Vehicle and Equipment	Computer and Equipment	Property and Liability Self- Insurance Fund	Long-term Disability Self- Insurance Fund	Totals
<b>Operating Revenue</b>					
Charges to other funds	\$ 1,707,603	\$ 415,050	\$ 320,383	\$ 19,925	\$ 2,462,961
Other	<u>1,196</u>	<u>4,322</u>	<u>-</u>	<u>-</u>	<u>5,518</u>
Total operating revenue	1,708,799	419,372	320,383	19,925	2,468,479
<b>Operating Expenses</b>					
Salaries	267,739	67,776	-	-	335,515
Operating supplies	61,272	28,003	-	-	89,275
Repairs and maintenance	201,426	82,929	-	-	284,355
Gas and oil	143,745	-	-	-	143,745
Insurance	93,445	643	503,055	25,956	623,099
Fringe benefits	114,029	2,106	-	-	116,135
Equipment rental	20,075	-	-	-	20,075
Miscellaneous	323	3,085	-	-	3,408
Depreciation	518,747	85,843	-	-	604,590
Contractual services	125	327,317	-	-	327,442
Claims and legal	<u>-</u>	<u>-</u>	<u>5,304</u>	<u>-</u>	<u>5,304</u>
Total operating expenses	<u>1,420,926</u>	<u>597,702</u>	<u>508,359</u>	<u>25,956</u>	<u>2,552,943</u>
<b>Operating Income (Loss)</b>	287,873	(178,330)	(187,976)	(6,031)	(84,464)
<b>Nonoperating Revenue</b>					
Investment income	11,465	4,254	6,409	1,428	23,556
Gain on sale of fixed assets	<u>2,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,173</u>
Total nonoperating revenue	<u>13,638</u>	<u>4,254</u>	<u>6,409</u>	<u>1,428</u>	<u>25,729</u>
<b>Net Income (Loss)</b>	301,511	(174,076)	(181,567)	(4,603)	(58,735)
<b>Net Assets - Beginning of year</b>	<u>2,924,113</u>	<u>649,317</u>	<u>964,705</u>	<u>76,480</u>	<u>4,614,615</u>
<b>Net Assets - End of year</b>	<u>\$ 3,225,624</u>	<u>\$ 475,241</u>	<u>\$ 783,138</u>	<u>\$ 71,877</u>	<u>\$ 4,555,880</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2003

	Vehicle and Equipment	Computer and Equipment	Property and Liability Self- Insurance Fund	Long-term Disability Self- Insurance Fund	Totals
<b>Cash Flows from Operating Activities</b>					
Receipts from other funds	2,022,579	395,153	750,323	41,905	\$ 3,209,960
Payments to suppliers	(515,805)	(380,050)	(508,359)	(68,854)	(1,473,068)
Payments to employees	(358,416)	(63,776)	-	-	(422,192)
Claims paid	-	-	(66,191)	-	(66,191)
Net cash provided by (used in ) operating activities	1,148,358	(48,673)	175,773	(26,949)	1,248,509
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal and interest paid on long-term debt	(165,639)	-	-	-	(165,639)
Purchase of capital assets	(678,311)	(182,990)	-	-	(861,301)
Net cash used in capital and related financing activities	(843,950)	(182,990)	-	-	(1,026,940)
<b>Cash Flows From Investing Activities - Investment income</b>	11,465	4,254	6,409	1,427	23,555
<b>Net Increase in Cash and Cash Equivalents</b>	315,873	(227,409)	182,182	(25,522)	245,124
<b>Cash and Cash Equivalents - July 1, 2002</b>	564,715	649,317	639,264	97,399	1,950,695
<b>Cash and Cash Equivalents - June 30, 2003</b>	<u>\$ 880,588</u>	<u>\$ 421,908</u>	<u>\$ 821,446</u>	<u>\$ 71,877</u>	<u>\$ 2,195,819</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 287,873	\$ (178,330)	\$ (187,976)	\$ (6,031)	\$ (84,464)
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	518,747	85,843	-	-	604,590
Changes in assets and liabilities					
Receivables	1,668	(1,668)	-	-	-
Due from other funds	452,877	(22,551)	429,940	21,980	882,246
Inventory	(6,931)	-	-	-	(6,931)
Accounts payable	11,537	61,927	(66,191)	-	7,273
Accrued and other liabilities	23,352	6,106	-	-	29,458
Due to other funds	(140,765)	-	-	(42,898)	(183,663)
Net cash provided by (used in) operating activities	<u>\$ 1,148,358</u>	<u>\$ (48,673)</u>	<u>\$ 175,773</u>	<u>\$ (26,949)</u>	<u>\$ 1,248,509</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2003

		General Tax	Current Tax	Delinquent Personal Property Tax		
	Revolving Fund	Fund	Fund	Fund	Payroll Fund	Totals
<b>Assets</b>						
Cash and investments	\$ 2,011,695	\$ 39,617	\$ 5,715	\$ 100,229	\$ 53,604	\$ 2,210,860
Accounts receivable	1,915	-	-	-	-	1,915
Due from other governmental units	354,316	-	126,456	-	37,567	518,339
Total assets	<u>\$ 2,367,926</u>	<u>\$ 39,617</u>	<u>\$ 132,171</u>	<u>\$ 100,229</u>	<u>\$ 91,171</u>	<u>\$ 2,731,114</u>
<b>Liabilities</b>						
Due to other governmental units	\$ 24,713	\$ 39,617	\$ 132,171	\$ 9,429	\$ -	\$ 205,930
Accrued and other liabilities	2,343,213	-	-	90,800	91,171	2,525,184
Total liabilities	<u>\$ 2,367,926</u>	<u>\$ 39,617</u>	<u>\$ 132,171</u>	<u>\$ 100,229</u>	<u>\$ 91,171</u>	<u>\$ 2,731,114</u>